INTERNATIONAL ECONOMIC REVIEW

United States International Trade Commission
Office of Economics

Washington DC
20436

April 1991

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UNITED STATES
INTERNATIONAL
TRADE COMMISSION

OFFICE OF ECONOMICS

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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Latest monthly data on the U.S. economy show that factory orders and sales declined and unemployment rose, signaling that the economic slowdown might be deeper than thought. Nevertheless, a rise in housing sales and consumer confidence might ultimately provide enough steam to reverse the economic slide.

The U.S. Department of Commerce reported that factory orders fell 1.7 percent in January 1991. Durable goods orders fell 1.8 percent and nondurable goods orders fell 1.7 percent. Within the durable goods category, transportation equipment orders fell 3.9 percent and capital goods orders fell 9.4 percent. Commerce also reported that sales by manufacturers, retailers and wholesalers fell by 1.2 percent in January 1991 for the third straight monthly decline. Consequently, inventories of unsold goods rose. Home sales, however, rose 7.9 percent in February 1991 after a decline of 7.3 percent in January. This is the first increase since November 1990 and the biggest rise in nearly 5 years. Such an increase, if it proved to be the turning point for the housing sector, could be sufficient to lead the economy out of the recession.

Meanwhile, the Federal Reserve warned that tight credit and the banking industry's real estate problems continue to restrain economic growth despite the ending of the Persian Gulf War. To combat rising unemployment, the Federal Reserve had cut the interest rate on Federal Funds to 6.0 percent in March 1991. Although consumers and businesses are still uncertain about the direction of the economy, there are indications that the sharp drop in oil prices, the decline in interest rates, the low rate of inflation, and the encouraging rate of export growth have increased consumer and investor confidence. Consumers' debt burden, however, might inhibit consumer spending and retard the economic recovery. Consumer debt outstanding, according to the Federal Reserve statistics, represents 82.0 percent of income, up from 70.0 percent in the beginning of the 1980s.

In addition, inflows of foreign capital are expected to decline further in 1991, after declining by about $79.4 billion in 1990. Consequently, the gap between domestic saving and investment has to be covered by increasingly cutting the budget deficit or by further reductions in domestic spending. Foreign capital flows are being diverted by competing demands and higher interest rates in Germany and Japan. A tight budgetary stance uncompensated by proportional tax cuts might hamper the process of recovery. U.S. current account statistics reflect the reduced inflow of capital.

U.S. Current Account

Data released by the U.S. Department of Commerce show that the U.S. current account deficit dropped to $99.3 billion in 1990 from $110.0 billion in 1989. The decline reflected increased sales of computers and office equipment, aerospace, chemicals, and construction and mining equipment. The U.S. debtor position continued to worsen, although at a slower pace. Foreign direct investment inflows receded by $46.5 billion in 1990 to $25.7 billion. Indirect investment in Treasury bonds dropped to $1.1 billion from $30.0 billion in 1989. By the end of 1990, foreign assets in the United States surpassed U.S. assets abroad by $760 billion. In contrast, the U.S. surplus in services transactions showed an improvement of $2.4 billion, rising to $22.9 billion in 1990. The United States also registered a $7.5 billion surplus in receipts from investment abroad in 1990, compared to a $900 million deficit in 1989.

World Output and Trade

The growth in world output slowed in 1990 to an estimated 2.0 percent annual rate from 3.0 percent in 1989 and 4.1 percent in 1988. Corollary to the slowdown in world output was the contraction of world trade. Published GATT estimates show that the volume of world trade expanded by 5.0 percent in 1990 compared with an actual expansion of 7.0 percent in 1989 and 9.1 percent in 1988. The value of world merchandise trade in 1990 was estimated to be $3.5 trillion. World trade in services such as transportation, banking, tourism, and insurance was estimated to have grown by 12.0 percent from 1989 to 1990, to $770 billion, almost one-fifth of the total value of world exports of goods. On a volume basis, exports of manufactures outpaced exports of agricultural and mining products. Merchandise exports of 15 highly indebted countries increased 11.0 percent in value compared with a 17.0 percent increase in 1989. Imports by these countries climbed by 16.0 percent from 1989 to 1990. The United States lost its position to Germany as the largest world exporter following a 16.5 percent increase in the value of the mark against the dollar and the unification of the East and West regions. However, the United States recorded a greater increase in export volume than those of Germany and Japan. The United States' export volume index rose by 8.5 percent in 1990, compared with only 1.5 percent for Germany and 4.5 percent for Japan.

The GATT estimated that over the 1980 decade, the volume of world trade rose by about 50.0 percent and the value of world trade rose by 75.0 percent. The share of mining and agricultural products in world trade declined, as did the shares of the Middle East, Africa, and Latin America. During the eighties, North America became the most dynamic region in terms of output and trade growth, followed by Asia.

Economic Growth

The annualized rate of real economic growth in the United States in the fourth quarter of 1990 was revised upward by the Commerce Dept. to a negative 1.6 percent from the –2.1 percent estimated earlier. The real U.S. growth rate was 1.4 percent in the third quarter, 0.4 percent in the second quarter, and 1.7 percent in the first quarter of 1990. The real growth rate for 1990 as a whole was estimated at 0.9 percent. The annualized rate of real economic growth in the fourth quarter of 1990 was –3.8 percent in the United Kingdom, 1.5 percent in Germany, –1.6 percent in France, 2.1 percent in Japan, –4.0 percent in Canada, and 2.7 percent in Italy.

Industrial Production

U.S. industrial production dropped by another 0.8 percent in February 1991, the Commerce Dept. reported after revised declines of 0.5 percent in January and 1.1 percent in December 1990. The February 1991 index of industrial production was 2.6 percent lower than it was in February 1990. Auto and truck production fell 5.0 percent in February 1991; production in other sectors fell by 0.7 percent. Capacity utilization in manufacturing, mining, and utilities dropped in February 1991 by 0.8 percent to 79.1 percent, its lowest level since late 1986.

Other major industrial countries reported the following annual growth rates of industrial production: for the year ending January 1991, Germany reported an increase of 5.2 percent, Japan, an increase of 7.3 percent, the United Kingdom, a decrease of 3.8 percent, and France, an increase of 0.7 percent; for the year ending December 1990, Italy, a decrease of 5.3, percent, and Canada, a decrease of 6.6 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.2 percent in February from January 1991, and increased by 5.3 percent during the year ending February 1991.

During the 1-year period ending February 1991, consumer prices increased by 2.7 percent in Germany and 6.7 percent in Italy. During the 1-year period ending January 1990, prices increased 9.0 percent in the United Kingdom, 3.5 percent in France, 6.8 percent in Canada, and 4.5 percent in Japan.

Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis, including military personnel) increased to 6.4 percent in February from 6.1 percent in January 1991. The comparable rate when military personnel are excluded was 6.5 percent.

In February 1991, Germany reported 6.2 percent unemployment, Canada reported 10.2 percent, and the United Kingdom reported 7.0 percent. In January 1991, Japan reported 2.0 percent unemployment, Italy reported 9.6 percent, and France reported 9.1 percent. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Forecasts

Table 1 shows macroeconomic projections for the U.S. economy for 1991, by four major forecasters, and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter. The average forecasts point to a sluggish growth in nominal GNP and negative growth in real GNP in the first quarter of 1991 followed by a modest recovery in the remainder of 1991. There are many possible reasons for the expected slow U.S. recovery in 1991: the lackluster performance of U.S. exports because of the general slowdown in the world economy and the less expansionary fiscal positions adopted by other industrial countries; the flattening of consumer spending, particularly on durable goods, as a result of the sharp increases in prices; the increase in excise taxes introduced in the new budget plan, and the high level of consumer indebtedness; and the expected sharp decline in investment spending because of pessimistic business expectations and the reduction in available credit as a result of the S & L crisis. However, housing could be one bright spot on the economic horizon should the 7.9 percent increase in home sales in February 1991 after several months of decline continue accelerating the economic recovery by the middle of the year. The average of the forecasts predicts an increase in the unemployment rate in most of 1991. Inflation (measured by the GNP deflator index) is expected to dip in the remainder of 1991, after rising slightly in the first quarter.

U.S. TRADE DEVELOPMENTS

The U.S. merchandise trade deficit widened in January 1991 due to the accelerated increase in imports over the increase in exports of industrial commodities. Seasonally adjusted U.S. merchandise trade in billions of dollars as reported by the U.S. Department of Commerce is shown in the tabulation on the bottom of the next page.

Table 1
Projected quarterly percentage changes of selected U.S. economic indicators, 1990-91

Quarter	*UCLA Business Forecasting Project*	*Merrill Lynch Capital Markets*	*Data Resources Inc.*	*Wharton E.F.A. Inc.*	*Mean of 4 fore-casts*
GNP—Current Dollars:					
1991:					
January-March	2.8	2.3	1.2	3.4	2.4
April-June	2.9	3.5	8.5	7.7	5.6
July-September	4.7	4.5	7.1	6.6	5.7
October-December	5.7	7.0	6.1	5.8	6.2
GNP—Constant (1982) Dollars:					
1991:					
January-March	-2.5	-1.6	-2.3	0.5	-1.5
April-June	-1.0	-0.8	0.1	4.8	0.8
July-September	1.8	0.4	4.2	3.8	2.5
October-December	3.2	3.1	3.3	3.0	3.1
GNP deflator index:					
1991:					
January-March	5.4	4.0	3.6	2.9	4.0
April-June	4.0	4.3	2.4	2.7	3.3
July-September	2.8	4.1	2.8	2.7	3.1
October-December	2.4	3.7	2.7	2.8	2.9
Unemployment, average rate, excl. military:					
1991:					
January-March	6.4	6.3	6.5	6.4	6.4
April-June	6.8	6.9	6.9	6.5	6.8
July-September	6.9	7.0	7.0	6.1	6.7
October-December	6.7	6.9	6.9	6.0	6.6

Date of forecasts, March 1991.

Note.—Except for the unemployment rate, percentage changes in the forecast represent compounded annual rates of change from preceding period. Quarterly data are seasonally adjusted.

Source: Compiled from data provided by The Conference Board. Used with permission.

When oil is excluded, the January 1991 merchandise trade deficit increased by 14.8 percent from December 1990. When oil is included, the seasonally adjusted U.S. merchandise trade deficit in current dollars increased by 11.1 percent in January 1991 to $7.0 billion from $6.3 billion in December 1990. However, the January 1991 deficit was 16.7 percent lower than the $8.4 billion average monthly deficit registered during the previous 12-month period, and 31.4 percent lower than the $10.2 billion deficit registered in January 1990.

In January 1991, both imports and exports increased. However, imports increased considerably faster than exports. Including oil, seasonally adjusted exports in current dollars increased by $1.2 billion in January to $34.5 billion, or by 3.6 percent, while imports increased by $1.9 billion to $41.5 billion, or by 4.8 percent. Excluding oil, U.S. imports increased by $1.6 billion to $37.6 billion in January 1991 from December 1990. The U.S. oil import bill climbed to $3.9 billion in January 1991 from December 1990.

The U.S. merchandise trade surplus in advanced technology products rose to $3.3 billion in January 1991 from $3.0 billion in December 1990. (Advanced technology products as defined by the U.S. Department of Commerce include about 500 products from recognized high-technology fields—for example, biotechnology—out of a universe of some 22,000 commodity classification codes.)

Nominal export changes in January 1991 for specified major exporting sectors are shown in table 2. The January 1991 data show monthly increases in U.S. exports of vehicle parts, iron and steel mill products, organic chemicals, electrical machinery, airplane parts, and textile yarns, fabrics, and articles. Exports of airplanes, automatic data processing equipment and office machinery, inorganic chemicals, and "other manufactured goods" declined.

	Exports		*Imports*		*Trade balance*	
	Dec. 90	*Jan. 91*	*Dec. 90*	*Jan. 91*	*Dec. 90*	*Jan. 91*
Current dollars						
Including oil	33.3	34.5	39.6	41.5	-6.3	-7.0
Excluding oil	33.3	34.5	36.0	37.6	-2.7	-3.1
1987 dollars	30.7	31.7	34.8	36.8	-4.1	-5.1
Three-month-moving average	34.2	34.0	42.9	41.4	-8.7	-7.4
Advanced technology products (not seasonally adjusted)	8.5	7.6	5.4	4.4	3.0	3.3

Table 2
Nominal U.S. exports, not seasonally adjusted, of specified sectors, January 1991.

Sector	Exports Jan. 1991	Change Jan. 1991 over Dec. 1990	Share of total Jan. 1991
	Billion dollars	Percent	Percent
Manufactures:			
ADP equipment & office machinery	2.06	-11.9	6.2
Airplanes	1.50	-21.9	4.5
Airplane parts	0.87	5.1	2.6
Electrical machinery	2.36	6.0	7.1
General industrial machinery	1.26	-0.1	3.8
Iron and steel mill products	0.34	8.6	1.0
Inorganic chemicals	0.29	-9.1	0.9
Organic chemicals	0.97	6.5	2.9
Power-generating machinery	1.32	0.8	3.9
Scientific instruments	1.03	-3.1	3.1
Specialized industrial machinery	1.27	1.0	3.8
Telecommunications	0.76	-0.1	2.3
Textile yarns, fabrics and articles	0.41	4.9	1.2
Vehicle parts	1.02	12.2	3.1
Other manufactured goods[1]	1.94	-24.5	5.8
Manufactured exports not included above	7.85	14.6	23.5
Total manufactures	25.23	0.1	75.7
Agriculture	3.16	1.5	9.5
Other exports	4.93	7.4	14.8
Total exports	33.33	1.2	100.0

[1] This is an official U.S. Department of Commerce commodity grouping.

Note: Detail lines may not add to totals because of rounding.

Source: U.S. Department of Commerce News (FT 900), January 1991.

The Commerce Department also reported that the U.S. agricultural trade surplus declined to $1.2 billion in January 1991 from $1.4 billion in December 1990.

U.S. bilateral trade balances on a monthly and year-to-date basis with major trading partners are shown in table 3. The United States experienced improvements in bilateral merchandise trade balances in January 1991 with Canada, the EC, the Federal Republic of Germany, the newly industrializing counties (NICs), and the U.S.S.R. The U.S. deficit with the NICs declined by $210 million from the previous month and the deficit with Canada declined by $480 million. The U.S. surplus with the EC rose by $50 million, to $1.34 billion, and the surplus with the U.S.S.R. rose by $120 million to $150 million. In contrast, the deficit with the Organization of Petroleum Exporting Counties (OPEC) and with China climbed by $160 million each.

Table 3
U.S. merchandise trade deficits (–) or surpluses (+), in billions of dollars, not seasonally adjusted, with specified areas.

Area and country	January 1991	December 1990	January 1990	January–December 1990	January–December 1989
Japan	-3.46	-3.44	-2.86	-41.07	-49.06
Canada	-0.44	-0.92	-0.63	- 7.51	- 9.14
Fed. Republic of Germany	-0.42	-0.49	-0.76	- 9.44	- 8.01
EC	+1.34	+1.29	-0.06	+ 6.13	+ 1.13
Western Europe	+1.10	+1.60	-0.32	+ 4.05	- 1.64
NICs	-0.99	-1.20	-2.15	-19.75	-24.34
U.S.S.R.	+0.15	+0.03	+0.30	+ 2.02	+ 3.57
China	-0.91	-0.75	-0.84	-10.42	- 6.23
OPEC	-2.02	-1.86	-2.60	-24.34	-17.41
Total trade balance	-7.00	-6.30	-9.81	-101.00	-109.40

Note.—NICs include Singapore, Hong Kong, Taiwan, and the Republic of Korea.

Source: U.S. Department of Commerce News (FT-900), February 1991.

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INTERNATIONAL TRADE DEVELOPMENTS

United States asks Dispute–Settlement Panel to Examine German Exchange Rate Guarantee Scheme for Airbus

On February 14, the United States requested a dispute-settlement panel under the GATT Subsidies Code to examine the German exchange rate subsidy scheme, one issue in the longstanding U.S.-EC dispute over subsidization of Airbus Industrie. Airbus is a European aircraft-manufacturing consortium that competes directly with two major U.S. firms, Boeing and McDonnell Douglas. Negotiations to settle the Airbus dispute appeared to make progress throughout 1990, but broke down early this year when EC officials rejected the most recent U.S. proposal.

Airbus Industrie is a public/private corporation co-owned by Aerospatiale of France, Deutsche Airbus of the Federal Republic of Germany, British Aerospace, and Construcciones Aeronauticas (CASA) of Spain. Spain owns less than 5 percent of Airbus. The U.S. administration charges that government subsidies to Airbus builders and other unfair trade activities, including political and economic incentives to potential customers of Airbus, are inconsistent with the Agreement on Trade in Civil Aircraft, one of the Tokyo Round codes.

The U.S. Government also opposes an exchange rate guarantee scheme devised by the German Government in the context of privatizing Messerschmitt-Bolkow-Blohm (MBB) and its wholly owned subsidiary, Deutsche Airbus. Efforts to privatize MBB through a Daimler-Benz-MBB merger were made conditional on the German Government's ability to cover the financial risks of current and future Airbus projects. One element of the financial rescue plan was the Government-financed exchange rate guarantee scheme, which covers Airbus sales until the year 2000. The German Government uses this mechanism to offset adverse exchange rate fluctuations between the German mark, in which production costs are incurred, and the U.S. dollar, the currency of the civil aviation market. The U.S. Government alleges that in 1990, the German Government distributed 390 million Deutschemarks under the guarantee scheme to Daimler-Benz, both to Deutsche Airbus and to aircraft component suppliers. Furthermore, U.S. officials claim that the scheme undercuts the international balance-of-payments adjustment process. The United States has questioned the consistency of the practice with the GATT Subsidies Code.

Although U.S. producers continue to benefit from strong worldwide demand for aircraft, the U.S. Government and industry oppose Airbus support that places U.S. firms at a disadvantage. Unlike their European competitors, U.S. producers must bear the full market risks for new aircraft development and production, the United States maintains, thereby limiting their profit margins and ability to invest in new technologies for future competition. EC officials counter that U.S. firms benefit from military contracts, which act as indirect subsidies.

In September 1990, the Department of Commerce released a study concluding that past, present, and future Airbus programs are unlikely to be "commercially viable". The report—*An Economic and Financial Review of Airbus Industrie*—also claimed that Airbus member companies have received or are committed to receive about $13.5 billion in direct government support. According to the report, the U.S. market share of orders for large commercial aircraft has decreased from 87 percent in 1980 to about 64 percent in 1989, while Airbus' market share has grown from about 7 percent in 1980 to 27 percent in 1989. U.S. officials are concerned that the sales success of the Airbus program could lead the EC to form other similar heavily subsidized consortia that could disadvantage certain U.S. high-technology industries.

Bilateral negotiations to resolve the Airbus issue reopened in 1990 following a breakdown of negotiations in mid-1989. Both the EC and the United States presented new proposals during the spring of 1990. The EC agreed to prohibit production subsidies and limit development subsidies on aircraft over 100 seats. However, disagreement continued over the permissible level of development subsidies and the time-frame for implementation of any agreement.

As a result, the United States threatened to file a complaint under the GATT Subsidies Code over the German Government's exchange rate subsidy plan if the overall Airbus issue were not resolved by July 31. U.S. officials postponed the deadline until September 30. Then postponed it indefinitely when broader progress on Airbus negotiations emerged. Consultations continued through the end of the year, but disagreements remained over the size of the cut in development supports, the terms and conditions under which Government support is repaid, transparency requirements, the size of the aircraft covered by the agreement, and the GATT-consistency of the German exchange rate guarantee scheme. An EC offer to cut development supports from over 70 percent to 45 percent of development costs was rejected by the United States. Negotiations finally collapsed in early 1991 after the EC rejected a U.S. offer that included a proposal to limit development subsidies to 25 percent of development costs.

Because attempts to resolve the dispute over the German exchange rate scheme in the context of an overall settlement were unsuccessful, the United States requested a GATT panel to determine whether the German mechanism violates the Subsidies Code. USTR Carla Hills claims that "the German program is wholly inconsistent with GATT Subsidies Code obligations specifically prohibiting such export subsidies." The Subsidies Code Committee has since agreed to set up a dispute-settlement panel, despite

EC insistence that the GATT Civil Aircraft Code Committee should hear the dispute instead. The U.S. administration has indicated that it is also reviewing the possible responses to other Airbus subsidies.

Liberalizing Trade in Latin America and the Caribbean: An Update

Latin American and Caribbean nations have attempted to reduce barriers to intraregional trade since the 1960s. For the most part, these efforts achieved only limited or temporary success. Economic disparities among these countries fostered a lack of perceived common interests in reducing trade barriers. Most countries feared that competitive imports would harm their domestic industries. The region's former military regimes also used protectionist policies to tighten their control over the local economy. Stagnant or declining intraregional trade also diminished the importance of liberalization.

In a sharp break with the past, in 1990 most Latin American and Caribbean countries began showing renewed interest in opening up their economies to foreign trade and in pursuing regional approaches to their common economic problems. Inspired perhaps by the EC's 1992 program, the delayed conclusion of the GATT Uruguay Round, and the U.S.-proposed Enterprise for the Americas Initiative[1] and Andean Trade Preference Act,[2] most Latin American and Caribbean countries are currently engaged in some level of planning for or implementation of regional trade liberalization.

The Caribbean

The primary goal of the Caribbean Community (CARICOM)[3] is to create a common market among the Caribbean basin's English-speaking countries. The key policy instruments CARICOM envisions as leading to the common market are a common external tariff and common rules of origin. Headway in attaining these goals, however, has been impeded by economic difficulties facing member countries, declining intraregional trade, and trade disputes among members. CARICOM was ineffectual for years following the 1973 oil price shock as members erected trade barriers to avoid importing inflation. More recently, the organization has failed to meet its own deadlines in areas such as the elimination of passport requirements for CARICOM nationals (targeted for December 1990) and allowing the free movement of skilled and professional workers within the region (targeted for January 1991).

In 1989, CARICOM agreed to begin phasing in a common external tariff and common rules of origin for a 1993 deadline. At its 1990 summit meeting, members outlined a new schedule for phasing-in the common external tariff, beginning in January 1991 and later postponed to March 1991 (deadline missed), with completion targeted for January 1994. The 1990 summit also targeted July 1991 for the "removal of remaining trade barriers."

CARICOM officials have stated that the creation of a regional stock market is an important step towards the creation of a common market. Barbados, Jamaica, and Trinidad and Tobago (the only members with stock exchanges) began mutual stock cross-listings in January 1991, and plan to allow trading in these stocks later in the year.

The seven members of the Organization of Eastern Caribbean States[4] are pursuing a regional integration plan and are undertaking subregional implementation of CARICOM's common external tariff ahead of schedule. During a summit meeting in early 1991, members agreed to pursue an exportled industrialization strategy. As a part of this strategy, members plan to implement a phased removal of quantitative restrictions on all intraregional imports.

Central America

The Central American Common Market (CACM)[5] was created in 1961 to liberalize intraregional trade and to establish both a regional free trade area and a customs union. CACM achieved early success in implementing duty-free trade among its members (by 1969, nearly 95 percent of the customs items traded among CACM members had been granted duty-free trade status). But the organization virtually collapsed in the 1970s because of trade disputes rooted in political and ideological differences among members.[6]

In June 1990, CACM members renewed their efforts to implement a regional free trade agreement by drafting a plan targeting the elimination of all protectionist barriers by 1992. In December 1990, they began drafting a framework agreement for the establishment of a regional common market.

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[1] The Enterprise for the Americas Initiative (EAI), first proposed by President Bush on June 27, 1990, is a program to promote economic cooperation with Latin American nations in the areas of trade, investment, and debt relief. Congress enacted a part of the EAI's debt relief mechanism in late 1990. Currently Congress is considering new legislation to activate the remainder of the program.

[2] President Bush first proposed the Andean Trade Preference Act on July 23, 1990. Modeled on the Caribbean Basin Economic Recovery Act, this program would enact a 10-year, one-way tariff preference arrangement for duty-free entry for selected imports from Bolivia, Colombia, Ecuador, and Peru. Congress did not have time to act on the proposal during 1990, and similar legislation, the Andean Trade Initiative Act, was submitted to Congress in early 1991.

[3] CARICOM was created in 1973 as a replacement for the Caribbean Free Trade Association. CARICOM's 13 members include the English-speaking Caribbean basin nations: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

[4] Members, who also are CARICOM members, are Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Lucia, St. Kitts-Nevis, St. Vincent and the Grenadines.

[5] Members included Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

[6] The most serious trade dispute erupted as a result of the 1969 war between El Salvador and Honduras. Demanding special relief measures for its war-ravaged economy, Honduras withdrew from the group in December 1970. Honduras ceased trade with El Salvador and returned to bilateral treaties and import duties on trade with other CACM members. In a subsequent trade dispute, Costa Rica was expelled in 1972. Progress towards a Central American peace plan led to a new regional tariff and customs agreement in January 1986.

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In January 1991, Mexico, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua held a regional trade summit. The six countries signed an agreement to put bilateral free-trade accords between Mexico and each of the other countries in place by 1996. In October 1990, Mexico signed an understanding with Chile aimed towards the creation of a Mexican-Chilean free trade area within 5 years.

South America

The Latin American Integration Association (LAIA)[7] was founded in 1980 to reduce tariffs on trade among its members.[8] The LAIA announced new tariff reductions and trade liberalization measures in 1990. These measures, effective August 1, provided (1) a 100 percent reduction on preferential tariffs by Argentina, Brazil, and Mexico, the most developed members, on imports from other LAIA members; (2) tariff reductions of as much as 50 percent by other LAIA countries; and (3) the elimination of nontariff restrictions on items on the regional preference list.

The Andean Group,[9] which operates within the LAIA framework, already has freed 3,000 items from tariffs for intraregional trade. While a common external tariff, one of the group's primary goals, has not been implemented, nearly 75 percent of officially registered intraregional trade is dutyfree. Intraregional trade, however, is a small proportion of members' total trade. The problem of a relatively small internal market is exacerbated by the region's large volume of unrecorded trade in contraband (including food crops, consumer goods, raw materials, and illicit drugs). The thriving contraband trade is fostered in part by weak legal infrastructures, differing rates of inflation and taxation, and varying levels of subsidies among the Andean countries.

At the Andean Group's December 1989 summit, members targeted 1995 for the establishment of a free trade zone and 1997 for a common market. At their November 1990 summit, members agreed to accelerate these deadlines, with a free-trade zone scheduled to be in place by 1992,[10] and a common external tariff targeted for the end of 1993.[11]

On July 6, 1990, the Presidents of Argentina and Brazil signed the "Act of Buenos Aires," an agreement to accelerate economic integration between the two countries.[12] They advanced the date for the establishment of a bilateral common market to the end of 1994, creating a bilateral working group to coordinate macroeconomic policy until then. The 2 presidents signed 20 sectoral agreements, including one for the mutual reduction of tariffs and export duties on a list of 350 manufactured goods. The two countries also agreed to implement a prior agreement on the automobile industry. Some 170 new products were added to the list of foodstuffs which qualify for duty-free bilateral trade, taking the total to nearly 500 items.

Interest in creating a regional common market for South America's southern cone (Argentina, Brazil, Paraguay, and Uruguay) intensified in 1990. Paraguay and Uruguay, whose small economies are closely linked to the economies of their larger neighbors, sought formal inclusion into the Argentina-Brazil bilateral agreement. The four countries initiated talks in late 1990 and reportedly drafted, but did not sign[13], a treaty to create a common market. According to press reports, the treaty targets 1995 for the establishment of tariff-free intraregional trade. Although they did not sign a regional trade accord, Argentina, Brazil, Paraguay, and Uruguay entered into multilateral negotiations with the United States in late 1990 for a regional EAI framework agreement.

In December 1989, the Rio Group[14] ministers agreed to eliminate nontariff barriers to reciprocal trade and to work to improve the regional tariff preference system by both reducing the number of goods excluded from it and lowering tariffs. During 1990, the group held negotiations to this end, but implemented no new programs.

Colombia, Venezuela, and Mexico, Latin America's largest oil exporters, are currently discussing the feasibility of establishing a three-nation free trade area. According to press reports, the three countries expect to sign an agreement on trade and investment by mid-1991 with an agreement on trilateral trade liberalization between then and the end of 1993.

United States-Canada Free-Trade Agreement: After 2 Years, How Does It Shape Up?

The United States-Canada Free-Trade Agreement (FTA) came into operation just over two year ago, entering into force on January 1, 1989. It is not surprising, given the President's request to pursue a

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[7] Also known by its Spanish acronym, ALADI. With 11 members, the LAIA is the largest regional economic association group in Latin America. Members are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela.

[8] The LAIA replaced the Latin American Free Trade Association (LAFTA), an organization created in 1960. LAFTA's mandate had been to remove trade restrictions among signatories through multilateral tariff reductions. The timetable for doing so fell seriously behind schedule, however, largely because the organization had few mechanisms providing for the large disparities among the member countries' economies.

[9] The Andean Group's original members were Bolivia, Colombia, Chile, Ecuador, and Peru. These countries feared that the larger LAFTA countries (Argentina, Brazil, and Mexico) would reap all of the benefits of that organization. Discussions about an Andean common market date to 1967, although the agreement creating the group was not signed until 1969. Venezuela joined the group in 1973. Chile withdrew in 1977 to pursue an independent course in its economic policies.

[10] Ecuador, pleading that its industries will not be able to compete by the time of these revised deadlines, will abide by the original dates set in 1989.

[11] Bolivia is to adopt the common external tariff in 1995.

[12] Argentina and Brazil signed their first bilateral economic integration agreement in 1986. This agreement, signed within the framework of the LAIA, entailed the signature of protocols covering trade in specific items such as food crops, capital goods, and automobiles, and promised to lead to the establishment of a binational common market by 1999.

[13] Discussions continued into 1991.

[14] Rio Group members are Argentina, Brazil, Colombia, Mexico, Peru, Uruguay, and Venezuela. Known originally as the Group of Eight, including Panama (the eight Central and South American democracies), the group's goals are to promote regional solutions to political and economic problems. Panama was expelled from the Group of Eight in 1988, prompting the name change to Rio Group.

trilateral FTA with Canada and Mexico and the great deal of interest in the pact north of the border, that indicators of the impact of the agreement are being sought out. Several recent reports suggest that many of the tariff and legal portions of the agreement are working well. The economic impact of the agreement is, the reports suggest, difficult to quantify, but probably less than anticipated even in Canada, where labor has blamed the pact for significant job losses.

Most experts agree that 2 year's time is too short to provide a definitive readout of the FTA's effects. Although duties on some items were eliminated as soon as the FTA went into force, most of the tariff reductions resulting from the pact are to be spread out over a 10-year period, with small decreases taking place each year. Thus, the effects of these annual duty reductions are not likely to be dramatic. Nor are they going to be felt immediately.

Other changes instituted under the FTA may be more significant than duty reductions. Liberalization of rules governing trade in services, investment, etc. may have a more profound effect on future trade flows. The current recession in Canada has further muddied the waters insofar as attempts to isolate the effects of the FTA are concerned. Plant closings and labor cutbacks are often attributed to either the economic slowdown or the FTA, depending on the political position of the person making the argument.

Two Canadian analyses of the FTA have appeared recently and each assesses the pact after nearly 2 years of operation. The Royal Bank of Canada study ("Free Trade Agreement: Second-year Review," *Econoscope*, vol. 15, No. 1, February 1991) asserts that any assessment of the effect of the FTA is made more difficult by the onset of recession in Canada and that the recession is made worse by high real interest rates and a high exchange rate, both of which are the result of Canada's deficit problem. Despite these factors, the study found that for the industries in Canada experiencing difficulty, "the FTA has not been a major contributor to those problems." The report addresses the issue of plant closings: "There is no clear proof as yet that Canada is, on balance, losing manufacturing jobs and investment because of free trade." The review found that while the FTA dispute settlement process had contributed to a "more orderly review of trade disputes", the GATT system had failed to improve dispute proceedings, and that there is room for more improvement on antidumping (AD) and countervailing duty (CVD) rules, both under the FTA and in the GATT.

The second Canadian assessment ("Year Two of the Canada-U.S. Free Trade Agreement—Making It Work," Strategico, Inc., Ottawa, December 1990) was provided by a private company. The report finds that, given the increasingly intense environment of international competition, the breakdown or stalemate in the Uruguay Round talks, and the entry of Mexico into the free trade arena with the United States, the FTA is "more important than ever." However, the implementation of the pact can be improved upon and government policies can be put into effect to more directly support the free trade initiative, according to Strategico. The report hedges on the economic impact of the FTA, but concludes that a well-grounded FTA does provide the basis "for a strong [Canadian] recovery and the development of . . . increased potential."

In approving the FTA, Congress required the President to provide it with a biennial report on the pact's effectiveness, with the first report due 2 years after the agreement's entry into force. That report was issued by the White House in January 1991 (*The United States-Canada Free-Trade Agreement, Biennial Report*, A Report from the President to the Congress Under Section 304(f) of the United States-Canada Free-Trade Agreement Implementation Act, January 1991). The President reported that implementation of the FTA had proceeded smoothly during the first 2 years of the agreement. The number of disputes that arose during the time period was "remarkably few," according to the report, and "those disputes that did arise generally concerned issues that predated the FTA and for which the FTA did not change the substantive trading rules." The report cited as "disappointing" the fact that Canada would not agree to increase the content requirements under the Auto Pact, even though most members of the Select Panel on Automotive Trade, established by the FTA, had recommended such a move. Overall, however, the report provided an upbeat assessment of the first 2 years of operation of the bilateral agreement.

One of the successes of the FTA is the program of accelerated duty reductions that have already taken place over and above those agreed to in the pact itself. Already tariffs have been immediately eliminated on over 400 products accounting for some $6 billion in bilateral trade by mutual consent of the U.S. and Canada Governments in response to petitions from the private sector. The most recent tariff acceleration package was announced on March 20th, and it provides for duty reductions on 250 traded items worth $2 billion. Such accelerated reductions are one indication of the eagerness with which traders on both sides of the border wish to take advantage of the FTA.

What does the future hold? There are still several areas of unfinished business under the agreement. These include subsidies, government procurement, agriculture, automobiles, and standards. Since some of these issues were under discussion multilaterally in the Uruguay Round when the pact was concluded, it is unlikely that there will be any bilateral progress until it is determined what, if any, progress is likely on the GATT front. Observers on both sides of the border argue that as more and more companies become "North American," some of the issues currently seen as "problems" will gradually fade away.

The main concerns about the effects of the FTA have been about plant closings in Canada. The Strategico report responds directly to the lists of layoffs attributed to the FTA and published by the Canadian Labour Congress (CLC). A recent CLC list, according to the Strategico study, included as much as 25

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percent of the layoffs in industries not even covered by the FTA. Furthermore, the list overlooks what would be considered "normal" layoffs, Strategico finds, arguing that "the [CLC] suggestion that the jobs have emigrated to the U.S. is hard to square with the substantial layoffs in that country."

The real future of the bilateral agreement, depends on the success of the dispute-settlement process that was established under the accord. Although the volume of trade involved in disputed cases is slight, the higher visibility accorded such cases tends to act as a barometer for U.S.-Canadian trade relations in general. There are two dispute settlement mechanisms established under the FTA. The first, under chapter 18, is for disputes regarding the interpretation or application of provisions of the FTA other than those affecting financial services, AD, and CVD cases. The second, under chapter 19, is for binational panel review of AD and CVD cases. Both procedures establish binational panels to resolve the disagreement.

There have been two panels convened in the first 2 years of the FTA under chapter 18, involving Canadian restrictions affecting salmon and roe herring and U.S. minimum size requirements for lobsters. Both of these panels ruled in favor of the United States.

The AD/CVD dispute settlement process has resulted in 15 cases being filed in the first 2 years of the FTA, with 10 of those being resolved by yearend 1990. In most cases the panel decisions have been unanimous. The amount of trade under dispute (i.e. contested under the FTA dispute-settlement mechanism) is small—less than one-half of 1 percent of the value of bilateral trade. Most cases under dispute have involved agricultural commodities. Agriculture in general and agricultural support programs in particular are contentious areas in the GATT, so it is not surprising that the same sector accounts for most of the work of the binational secretariats established to oversee the settlement of United States-Canadian trade disputes. The recent remand surrounding the pork dispute has heightened interest in the bilateral dispute settlement process (*see IER, March 1991*). The encouraging news, despite the recent spate of activity, is that the system appears to be working exactly as it was intended.

A New Bank to Aid Eastern Europe and the U.S.S.R. Begins Operations

Originally proposed by the French Government, the 41-member European Bank for Reconstruction and Development (EBRD) opens its doors on April 15th. The primary aim of this new, London-based international development bank is to serve as a catalyst for the growth of the private sector and the improvement of infrastructure in Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Yugoslavia, and the Soviet Union. These seven countries, or as EBRD officials term them, "eligible nations," contributed 11.9 percent of the development bank's $11.7 billion initial capital: the six East European countries subscribed to a total of 5.9 percent, and the Soviet Union to 6.0 percent of the shares. The 23 European market economies, 9 non-European nations (including the United States, Australia, Canada, and Japan), the European Community (EC), and the European Investment Bank (EIB) subscribed to another 86.1 percent of the shares.

With 10.0 percent of the shares, the United States is the largest individual shareholder. However, the EC countries control 51.0 percent of the Bank's initial capital. France, Germany, Italy, and the United Kingdom each have 8.5 percent of the shares; the remaining eight EC countries combined have 11.0 percent, and the two institutions, the EC and the EIB, have 3.0 percent each. With 8.5 percent of the shares, Japan is EBRD's second-largest nonregional subscriber. Management of the Bank is not directly tied to the amount of an individual country's subscription. Regardless of the share in the subscribed capital, each member was allowed to appoint one Governor and one Alternate to the Board of Governors. This assembly, responsibile for all of EBRD's activities, elected Jacques Attali from France as president and appointed a 23-member Board of Directors to run the bank's daily operations.

The EBRD's charter specifies that 30 percent of the member nation's quota has to be paid in five equal annual installments and the remaining 70 percent should be on call. The 10 percent U.S. share translates into a 5-year commitment of $350 million for paid-in-capital and $817 million available on call. The one-fifth annual commitment is $70 million for paid-in-capital and $163.4 million for subscriptions to callable capital. The first U.S. installment of paid-in capital was authorized by the Foreign Assistance Appropriation Act for Fiscal Year 1991. According to EBRD's spokesman in London, all members paid their pledged contributions last year.

For the first 5 years, according to EBRD rules, at least 60 percent of the development bank's total loan and equity investments will be in private sector activities, primarily to help establish new firms or fund the privatization of existing state-owned enterprises. Up to 30 percent of the capital base—i.e., half of the capital directly dedicated to the expansion of the private sector—may be used for equity participation. Since EBRD intends to restrict its activities to those of a development bank, it will neither seek to obtain a controlling interest in enterprises nor will it assume direct responsibility for managing those of which it is a major shareholder. No more than 40 percent of EBRD's total loan and equity investments in each country may be provided to the state sector. Such state-sector financing would be primarily for improving economic infrastructure.

EBRD's charter implies that the development bank will attempt to allocate its investment assistance in proportion to the eligible countries' adherence to "the principles of multiparty democracy, pluralism, and market economics." EBRD rules limit Soviet borrowing for the first 3 years to the level of the Soviet Union's paid-in contributions and assure, upon

U.S. insistence, that "in no case would U.S. taxpayer funds be used for Soviet borrowing during this period." The charter promises that, by taking a comprehensive approach regarding which projects to finance, EBRD's capital allocation will help the eligible nations establish and improve market economic institutions, achieve sustained economic growth, and improve the quality of their environment. EBRD will closely coordinate its efforts with the International Monetary Fund and the World Bank, and although it is not expected to assist the eligible nations directly in case of balance-of-payments difficulties, it may engage in debt financing.

According to a spokesman, the EBRD will operate on the basis of sound business principles, seeking to generate adequate income to maintain prudent financial ratios and risk diversification. In addition to acquiring shares in joint ventures with firms from the eligible nations, and other interest-earning assets, the EBRD intends to augment its capital by borrowing in various currencies on world capital markets.

Some private analysts, skeptical about the project, suggest that existing multilateral lending agencies could have accommodated East European and Soviet needs without creating yet another development bank. Moreover, these analysts say, past efforts by multilateral lending agencies to make loans to developing countries contingent upon the privatization of state assets actually retarded the reform process by temporarily revitalizing state enterprises. But other analysts believe that EBRD's activities will strengthen the process of economic and political democratization in the eligible countries, as well as catalyze European integration. The EBRD is the first international organization that includes all the nations of Europe (with the exception of Albania.) Spokesmen for U.S. corporations engaged in joint ventures with East European and Soviet firms have endorsed the idea of creating this new financial institution.

STATISTICAL TABLES

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Industrial production, by selected countries and by specified periods, January 1988–December 1990

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1988	1989	1990	1989 IV	1990 I	II	III	IV	Aug.	Sep.	Oct.	Nov.	Dec.
United States	5.4	2.6	1.0	0.2	0.6	4.3	4.0	-8.0	0	1.1	-8.3	-19.8	-7.5
Japan	9.5	6.2	4.6	2.9	3.5	7.7	9.8	7.5	3.8	-11.6	44.1	-8.9	-5.4
Canada	4.4	2.3	(1)	-1.9	1.7	1.3	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Germany	3.2	5.2	5.8	8.4	8.4	0.8	7.3	10.5	0	-2.0	7.3	-2.9	2.0
United Kingdom	3.7	0.3	-0.7	0.2	-0.2	7.3	-12.0	-6.1	-6.4	-6.4	2.2	-16.4	-4.4
France	4.1	3.6	(1)	-1.2	-1.7	6.0	6.0	(1)	0	-18.1	-1.1	-20.9	(1)
Italy	6.9	3.9	(1)	0.6	-6.2	1.0	1.2	(1)	28.7	-10.4	-20.8	-12.5	(1)

[1] Not available.

Note.—Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, February 22, 1991.

Consumer prices, by selected countries and by specified periods, January 1988–January 1991

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1988	1989	1990	1989 IV	1990 I	II	III	IV	Sep.	Oct.	Nov.	Dec.	1991 Jan.
United States	4.1	4.8	5.4	4.0	8.1	3.7	6.4	6.9	9.5	7.5	3.7	3.7	(1)
Japan	0.7	2.3	3.1	2.6	0.9	5.8	1.6	7.2	11.8	12.9	-4.3	-3.3	4.5
Canada	4.0	5.0	4.8	3.9	6.0	2.7	4.1	6.9	5.9	10.3	8.3	1.5	(1)
Germany	1.3	2.8	2.7	3.0	2.5	1.7	3.6	4.5	5.3	8.4	-2.4	0.9	2.4
United Kingdom	4.9	7.8	9.5	7.6	8.8	15.7	9.8	6.2	10.9	7.8	-2.1	4.1	(1)
France	2.7	3.5	3.4	3.9	3.1	2.7	4.2	4.5	7.6	6.0	-0.4	1.3	(1)
Italy	5.0	6.6	6.1	5.9	5.8	5.5	7.3	6.8	6.5	6.5	6.9	5.6	7.3

[1] Not available.

Note.—Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, February 22, 1991.

Unemployment rates, (total labor force basis)[1] by selected countries and by specified periods, January 1988–January 1991

(Percent)

Country	1988	1989	1990	1989 IV	1990 I	II	III	IV	Sep.	Oct.	Nov.	Dec.	1991 Jan.
United States	5.4	5.2	5.4	5.2	5.2	5.2	5.5	5.8	5.6	5.6	5.8	6.0	6.1
Japan	2.5	2.3	2.1	2.2	2.1	2.1	2.1	2.1	2.3	2.3	2.1	2.0	(3)
Canada	7.7	7.5	8.1	7.5	7.5	7.4	8.1	9.1	8.3	8.7	9.0	9.3	9.6
Germany	6.2	5.6	5.1	5.5	5.3	5.2	5.1	4.8	5.0	4.9	4.7	4.7	4.5
United Kingdom	8.2	6.4	6.4	5.8	6.1	6.1	6.2	6.7	6.4	6.5	6.7	7.0	7.2
France	10.1	9.9	9.2	9.8	9.2	9.2	9.2	9.3	9.3	9.4	9.4	9.3	9.3
Italy	7.8	7.7	6.9	7.5	7.2	6.7	6.7	6.8	(2)	6.8	(2)	(2)	(2)

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with U.S. rate.
[2] Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.
[3] Not available.

Source: *Unemployment Rates in Nine Countries*, U.S. Deapartment of Labor, March 1991.

Money-market interest rates,[1] by selected countries and by specified periods, January 1988–January 1991

(Percentage, annual rates)

				1989	1990									1991	
Country	*1988*	*1989*	*1990*	*IV*	*I*	*II*	*III*	*IV*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Jan.*	*Feb.*
United States	7.8	9.3	8.3	8.6	8.4	8.4	8.2	8.1	8.1	8.1	8.1	8.0	7.8	7.2	6.5
Japan	4.4	5.3	(2)	5.6	6.2	6.7	6.7	(2)	6.9	8.3	(2)	(2)	(2)	(2)	(2)
Canada	9.6	12.2	13.0	12.4	12.9	13.7	13.1	12.3	13.2	12.6	12.5	12.4	11.9	(2)	(2)
Germany	4.3	7.0	8.5	8.3	8.4	8.4	8.4	8.9	8.3	8.5	8.6	8.9	9.1	(2)	(2)
United Kingdom	8.9	13.3	14.8	15.2	15.2	15.1	14.9	13.8	15.0	14.9	13.9	13.6	13.6	13.8	(2)
France	7.9	9.2	10.3	10.3	11.0	9.9	10.2	10.1	10.1	10.3	10.0	10.1	10.0	10.2	(2)
Italy	11.0	12.7	12.7	13.3	13.3	12.8	11.8	13.0	11.9	11.3	11.7	13.1	13.3	14.0	(2)

[1] 90-day certificate of deposit.

[2] Not available.

Note.—Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Federal Reserve Statistical Release, April 2, 1990 Economic and Energy Indicators*, Central Intelligence Agency, February 22, 1991, *Selected Interest and Exchange Rates*, Board of Govenors Federal Reserve System, March 18, 1991.

Effective exchange rates of the U.S. dollar, unadjusted for inflation differential, by specified periods, January 1988–February 1991

(Percentage change from previous period)

				1989	1990							1991	
Item	*1988*	*1989*	*1990*	*IV*	*I*	*II*	*III*	*IV*	*Oct.*	*Nov.*	*Dec.*	*Jan.*	*Feb.*
Unadjusted:													
Index[1]	88.0	91.3	86.5	91.0	89.6	89.7	85.3	81.7	81.8	81.1	82.2	82.2	81.1
Percentage change	–6.5	6.4	–5.3	–1.9	–.4	.1	–5.1	–4.2	–2.8	–.8	1.3	0	–1.3
Adjusted:													
Index[1]	87.4	91.8	88.1	91.8	90.8	90.9	86.8	84.1	83.9	83.4	84.7	84.9	84.0
Percentage change	–4.8	6.8	–4.0	–1.1	–1.1	.1	–4.7	–3.1	–2.[illegible]	–.5	1.5	.2	–1.1

[1] 1980–82 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 15 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co.of New York, March 1991.

Trade balances, by selected countries and by specified periods, January 1988–January 1991

(In billions of U.S. dollars, f.o.b. basis, at an annual rate)

				1989	1990								1991
Country	*1988*	*1989*	*1990*	*IV*	*I*	*II*	*III*	*IV*	*Sep.*	*Oct.*	*Nov.*	*Dec.*	*Jan.*
United States[1]	-118.5	-109.4	-101.0	-112.9	-101.2	-87.6	-113.1	-104.6	-111.9	-131.8	-106.9	-75.3	-83.9
Japan	94.8	77.3	63.5	57.2	65.2	56.8	65.2	66.8	72.0	66.0	66.0	68.4	(3)
Canada	8.3	5.8	(3)	.8	5.6	9.6	12.4	(3)	15.6	8.4	13.2	(3)	(3)
Germany[2]	72.8	72.0	(3)	65.2	89.6	61.6	50.8	(3)	56.4	68.4	8.4	(3)	(3)
United Kingdom	-37.4	-39.2	-31.2	-27.6	-38.4	-35.2	-28.8	-22.8	-18.0	-25.2	-22.8	-19.2	(3)
France	-5.4	-7.0	-9.5	-8.4	-1.6	-7.6	-15.6	-12.8	-24.0	-15.6	-1.2	-24.0	(3)
Italy	-10.7	-12.9	-11.8	-9.6	-14.0	-6.4	-10.4	-16.8	-13.2	-25.2	-28.8	1.2	(3)

[1] 1986, exports, f.a.s. value, adjusted; imports, c.i.f. value, adjusted. Beginning with 1987, figures were adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.

[2] Imports, c.i.f value, adjusted.

[3] Not available.

Note.—Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, January 25, 1991 and *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, March 20, 1991.

U.S. trade balance,[1] by major commodity categories,and by specified periods, January 1988–January 1991

(In billions of dollars)

				1989	1990									1991
Country	*1988*	*1989*	*1990*	*IV*	*I*	*II*	*III*	*IV*	*Aug.*	*Sep.*	*Oct.*	*Nov.*	*Dec.*	*Jan.*
Commodity categories:														
Agriculture	13.9	17.9	16.3	5.1	4.9	4.1	3.3	4.2	1.2	1.1	1.2	1.6	1.4	1.2
Petroleum and selected product—(unadjusted)	-38.1	-44.7	-54.6	-11.4	-14.1	-10.8	-13.5	-16.2	-4.3	-5.5	-6.4	-5.4	-4.3	-4.5
Manufactured goods	-146.1	-103.2	-90.1	-27.7	-19.4	-19.5	-27.0	-24.3	-9.4	-7.3	-10.4	-8.6	-5.3	-5.8
Selected countries:														
Western Europe	-12.5	-1.3	4.0	-.6	1.4	2.9	-.8	.6	-.4	.9	-.6	-.4	1.6	1.1
Canada[2]	-9.7	-9.6	-7.5	-2.8	-.9	-1.3	-2.7	-2.8	-.5	-1.2	-1.3	-.6	-.9	-.4
Japan	-51.7	-49.0	-41.0	-12.2	-9.6	-9.9	-9.9	-11.7	-3.8	-3.1	-4.5	-3.8	-3.4	-3.5
OPEC (unadjusted)	-8.9	-17.3	-24.3	-4.3	-1.8	-4.3	-6.6	-7.1	-2.2	-2.8	-2.7	-2.5	-1.9	-2.0
Unit value of U.S.imports of petroleum and selected products (unadjusted)[3]	$18.12	$16.80	$20.34	$17.46	$19.26	$15.59	$19.45	$28.20	$19.11	$23.60	$30.09	$29.56	$25.70	$22.98

[1] Exports, f.a.s. value, unadjusted. 1986–88 imports, c.i.f. value, unadjusted; 1989 imports, customs value, unadjusted.

[2] Beginning with February 1987, figures include previously undocumented exports to Canada.

[3] Beginning with 1988, figures were adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally unadjusted, rather than c.i.f. value.

Source: Advance Report on U.S. Merchandise Trade, U.S. Department of Commerce, March 20, 1991.

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